

Perkin-Elmer Limited

585227

Directors' Report For The Year Ended 3 July 1998

The directors present their annual report and the audited financial statements of the company for the year ended 3 July 1998.

Principal Activities

The company's principal activities continued to be the manufacture, sale and service of scientific instruments and software and the distribution of instruments used in bio-technology research and the manufacture of fine chemicals for use with such instruments until the changes to sales and service referred to below were effected.

Results And Dividends

Sales for the year amounted to £85,879,000 (1997: £98,385,000) and the profit after tax was £12,862,000 (1997: £11,455,000). An interim dividend of £7,000,000 (1997: £10,000,000) has been paid and the directors do not recommend a final dividend. The balance of £5,862,000 (1997: £1,455,000) has been transferred to reserves.

Review Of The Business And Future Developments

The UK Life Sciences business continued to enjoy considerable growth across all geographical areas. Management are confident about the prospects for fiscal year 1999 and expect this trend to continue.

Fiscal year 1998 was a strong year for product sales in the UK. Strong growth was experienced in the rapidly expanding DNA market and in the still emerging LCMS technology.

On 31 October 1997 the company changed the structure of its sales function within the UK, such that sales to UK customers are now made from a European distribution centre in the Netherlands. Under this "direct fulfilment" model, the company will no longer record sales to UK customers as turnover, but will instead be paid on a commission basis by a Swiss branch of a US company. This model was applicable in the current year up until the transfer of the service and sales operation to the UK branch referred to below. The effect on the results of the company for the period from 31 October 1997 until 27 March 1998 was commission income of £4,104,000 which replaces sales and cost of sales that would otherwise have been recorded in the current year.

On 27 March 1998 the Company transferred the business and assets of its service sales operation to the UK branch of a fellow group undertaking, Perkin-Elmer Europe B.V.

Post Balance Sheet Event

On 23 December 1998 the Company transferred its investment in Spartan Limited to its immediate parent undertaking, Perkin Elmer Holdings Limited, for a consideration of £8,122,000, following a revaluation (amounting to £2,365,000) of the investment market value represented by the consideration received. The transfer was effected via a dividend in specie.

On 25 December 1998 the Company transferred the operations of the Life Sciences division to Applied Biosystems Limited, a subsidiary company at fair market value.

On 8 March 1999 an agreement was signed in the US by Perkin Elmer Corporation to dispose of the worldwide assets of the Analytical Instruments division subject to Regulatory approval.



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Directors' Report For The Year Ended 3 July 1998 (Continued)

Directors And Their Interests

The directors during the year and to the date of this report were as follows:

S O Jaeger	(American)	(Resigned 25 September 1997)
T B Walton		
S D Allen		
I F C Marshall		(Appointed 6 October 1997)
P T Mitchell		(Appointed 16 July 1997)
D L Winger		(Appointed 25 September 1997)
T W Pizzie		(Appointed 4 November 1997)
R M Fongern		(Appointed 12 December 1997)

The directors have no beneficial interest in the shares of the company or of Perkin-Elmer (UK) Ltd, the immediate parent company. Perkin-Elmer Corporation has a group directors' and officers' liability insurance policy in respect of risks arising in the course of their duties.

Research And Development

Research and Development efforts have been focussed on the launching of a new major IR platform product. This has been successfully launched and is now shipping routinely. Work is now focussed on delivering a series of market focussed products based on the new IR product platform. Software development has supported the new IR platform and is moving towards developing multi-use components as part of the globalisation of R&D. A new product development process has been successfully implemented in R&D, cutting development time, costs and risks.

Charitable Contributions

During the year the company donated £3,396 (1997: £3,948) for charitable purposes.

Employment Policies

It is the company's policy to give full consideration to suitable applications for employment from disabled persons. Opportunities also exist for employees of the company who become disabled to continue in their employment or to be reconsidered for other positions within the company.

Year 2000

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of the century, producing a wide range of consequences. A risk based review of the company's computer systems and computer reliant processes is in the process of being performed by a dedicated project team. An implementation plan is in progress to ensure that all such equipment is tested, and remedial action taken to reduce the risk of systems failure, through repair or replacement. In addition, the implementation of SAP is expected to significantly reduce the risk of business systems failure.

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Directors' Report For The Year Ended 3 July 1998 (Continued)

Year 2000 (Continued)

The Year 2000 issue is being addressed on a global basis with costs incurred centrally. These costs are currently unknown. The company's aim is for all business critical systems work to be completed, and that management will be aware of any significant problems with key suppliers and customers by 31 July 1999. However it must be recognised that with a problem as large and complex as this, it is not possible to give any guarantees that no unforeseen problems will arise, even with a comprehensive programme in place.

Euro

The European single currency ('Euro') was introduced as a trading currency by participating member states on 1 January 1999. The company considers the impact of the Euro to be negligible on the basis that existing systems will be able to deal with the additional currency.

Statement Of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

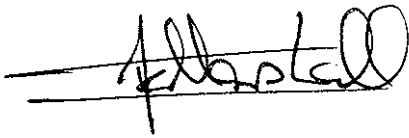
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Directors' Report For The Year Ended 3 July 1998 (Continued)

Auditors

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse, resigned in favour of the new firm, PricewaterhouseCoopers and the directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. A resolution to re-appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'I Marshall', is written over two horizontal lines.

I Marshall
Secretary

28 April 1999